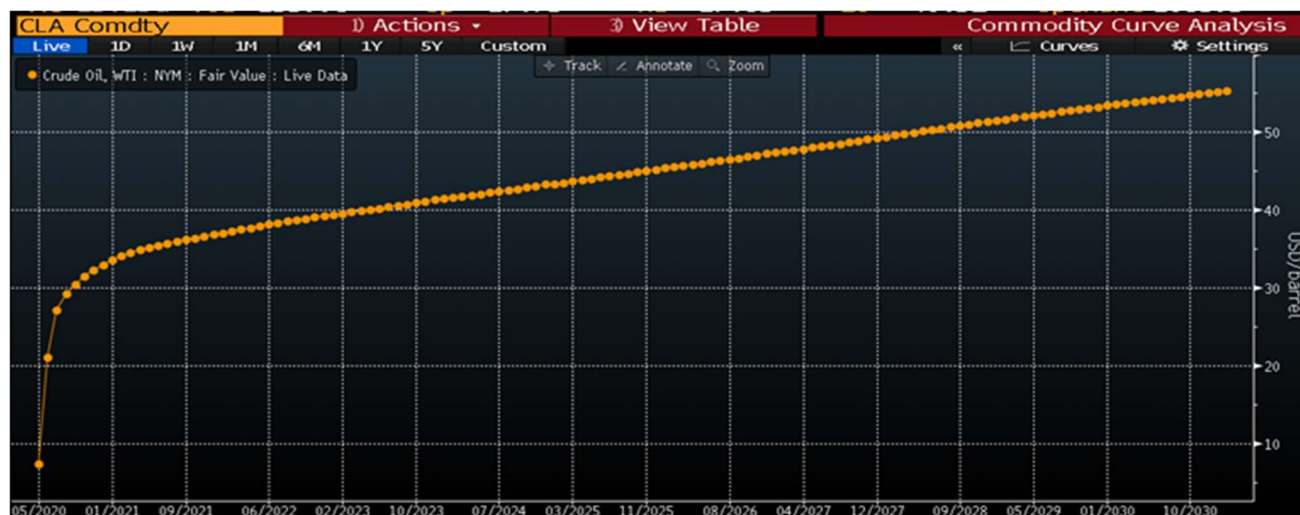


Tax-Loss Trade Idea: Sell Your Canadian Oil Stocks and Buy ZEO

Canadian oil companies have been hit hard during the market crisis. If you hold Canadian oil stocks you can sell these to crystallize a loss and buy ETF BMO Equal Weight Oil and Gas ETF (Ticker: ZEO) to maintain the same exposure. While the Covid-19 virus has been everyone's focus, and the subsequent drop in energy demand has impacted the market, the supply disagreement between Russia and Saudi Arabia on oil production has been a second hit to the Canadian oil patch.

With demand absent, and supply cuts slower to become reality, we are seeing a remarkable occurrence with the oil futures contracts, where for the first time ever, the expiring contract is worthless. Oil companies, while generally carrying production hedges, are reacting to the forward pricing by slashing dividends and capping wells. Looking out a year, the futures curve expects prices to recover near \$30 per barrel, still below a profitable rate for producers, then recovering further through 2021.

The recent announcement of cooperation and reduced production has led to an improved oil outlook beyond the front month based on the futures curve as cuts are expected to be implemented. If your goal is to maintain energy exposure, while capturing current losses, tax loss harvesting is an effective strategy.



Source: Bloomberg – April 20, 2020

ZEO is an equal weight basket of large capitalization energy producers and pipelines, which means that it has less market risk than ETFs that include smaller capitalization names or exclude pipelines.

Trade Opportunity:

- Tax Loss Harvesting is typically a trade that is utilized near year end to allow investors to crystallize losses, in order to offset gains in their portfolios, **given the current market climate investors may want to look at implementing a tax-loss strategy right now**
- With the recent market sell-off, we have been receiving questions about taxable accounts that want to crystallize the losses in their Canadian oil shares and exchange it for ZEO
- Canadian oil companies can be long-term core holdings in the portfolios of most Canadian investors (both retail and institutional), this is a way to take advantage of the sell-off and still maintain exposure to these companies through ZEO

As of March 31, 2020

Name	YTD Total Return
Cenovus Energy Inc	-78.11%
Inter Pipeline Ltd	-61.46%
Keyera Corp	-60.74%
Imperial Oil Ltd	-53.34%
Canadian Natural Resources Ltd	-52.43%
Suncor Energy Inc	-46.53%
Pembina Pipeline Corp	-44.29%
Enbridge Inc	-19.47%

Source: Bloomberg as of March 31, 2020

How to Execute the Strategy:

- Investors can sell the security or securities that are at a loss then use the proceeds to invest in a different security to maintain the same exposure as the security that has just been sold, in this example, you would sell your oil shares and buy ZEO.
- The securities do not have to be equally weighted or in the same proportion of the ETF
- For institutions and advisors with larger trades (50k shares or greater), please contact your BMO ETF Specialist to co-ordinate this trade.

Please contact your BMO ETF Specialist if you want more details on this trade or if you want our ETF Team to co-ordinate this trade for you.

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